



Claire McCaskill

Missouri State Auditor

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June 2005

City of Bragg City, Missouri

Year Ended May 31, 2004



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2005

The following problems were discovered as a result of an audit conducted by our office of the City of Bragg City, Missouri.

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Inadequate controls and oversight resulted in approximately \$9,740 in missing monies. The City determined that during June and July of 2003, seven of the city's checks totaling \$3,120, had been processed by the bank with either no payee indicated or that were payable to the former City Clerk/Treasurer/Collector, for which no supporting documentation was available. The endorsement on each of these checks showed the former City Clerk/Treasurer/Collector. In January 2004, the City Attorney notified the Pemiscot County Sheriff's office of their findings. A letter written by the former clerk indicated payments would be made until the debt was paid, however, as of November 2004, the city had been reimbursed only \$2,550 from the former clerk. City personnel indicated they did not investigate transactions before May of 2003, because their records had been destroyed or lost. However, information we obtained from the bank indicated additional checks written in the same manner totaling \$6,050. In addition, during the year ended May 31, 2003, \$1,520 in checks were written to the former clerk which appeared to have been payroll; however, the clerk should have been paid only \$960 (\$80 per month times 12 months). It appears the city had not thoroughly investigated the situation and was not aware of all the unusual checks at the time of their "agreement".

The City Clerk also serves as the City Collector and the City Treasurer contrary to an Attorney General's opinion. Additionally, the City sometimes signed checks in advance, did not adequately bond officials, and has not entered into a formal written agreement with the city attorney.

The City used public monies on expenditures that did not appear to be reasonable and prudent, including \$477 for decorations, school supplies, prizes, food and candy for a back to school party in August 2003.

The City had no supporting documentation for approximately \$2,500 of additional expenditures made between June and November 2003. The Mayor indicated that these records had been destroyed. Additionally, the board minutes do not normally contain indication of board approval for expenditures, and the board does not normally review invoices before approval of payment.

The City has not filed annual financial reports with the State Auditor's office since 1999, published semi-annual financial statements, or prepared annual budgets, as required by state law.

(over)

YELLOW SHEET

Also included in the report are recommendations related to accounting procedures, property tax procedures, meetings, minutes and ordinances, payroll, and the volunteer fire department.

**All reports are available on our website: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

CITY OF BRAGG CITY, MISSOURI

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Bragg City, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Bragg City, Missouri. The scope of our audit of the city included, but was not necessarily limited to, the year ended May 31, 2004. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Bragg City, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 28, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
Audit Staff:	Kate Petschonek

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS



CITY OF BRAGG CITY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1. Missing Monies</b>
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Inadequate controls and oversight resulted in approximately \$9,740 in missing monies. The Mayor performed a review of city disbursements upon noticing some unusual items and the city determined that during June and July of 2003, seven of the city's checks, totaling \$3,130, had been processed by the bank with either no payee indicated or that were payable to the former City Clerk/Treasurer/Collector, for which no supporting documentation was available. The endorsement on each of these checks showed the former City Clerk/Treasurer/Collector. In January 2004, the City Attorney notified the Pemiscot County Sheriff's office of city's findings; however, an investigation had not been performed as of April 13, 2005. Sheriff's office personnel indicated they were later informed by the city that the former clerk had agreed to make restitution for these monies and the city was not interested in filing charges; thus the investigation had not been actively pursued. A letter written by the former clerk indicated she would pay "\$1,500 by the end of February 2004 and continue to make monthly payments of \$200 until the debt is paid". No payments were apparently received from the former clerk in March 2004, or from June through August 2004. As of November 2004, the city had received reimbursement for \$2,550 from the former clerk for these checks.

City personnel indicated they did not investigate transactions before May of 2003, because their records had been destroyed or lost. However information we obtained from the bank indicated several additional checks written in the same manner totaling \$6,050. In addition, during the year ended May 31, 2003, \$1,520 in checks were written to the former clerk which appeared to have been payroll; however, the clerk should have been paid only \$960 (\$80 per month times 12 months). It appears the city had not thoroughly investigated the situation and was not aware of all the unusual checks at the time of their "agreement".

Lack of internal control and little or no independent review, as discussed in the following Management Advisory Report (MAR), allowed these missing monies to occur and not be detected. The Board should review these situations and take necessary action to recover the additional missing monies. In addition, the Board should ensure city records are properly retained.

**WE RECOMMEND** the Board of Alderman review this situation and take necessary action to recover the missing monies.

## **AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated this recommendation will be implemented.*

<b>2. Accounting Controls and Procedures</b>
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The City Clerk also serves as the City Collector and the City Treasurer, which does not allow for a proper segregation of duties. In addition, checks are sometimes signed in advance, pre-numbered receipt slips are not issued for some monies received, checks and money orders received are not restrictively endorsed immediately, and a cash control ledger is not maintained. Furthermore, officials are not bonded, petty cash controls are not adequate, and the City does not have a written contract with the City Attorney.

- A. The City Clerk also serves as City Collector and as City Treasurer. Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city, the holding of the positions of city clerk, city treasurer, and city collector or any two of these three offices, by the same person at the same time would be incompatible. Holding any two of these three offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The Mayor indicated that she reviews all of city clerk's work; however, she does not document her review. The current procedures jeopardize the system of independent checks and balances intended by state law. If segregating these offices is not possible, at a minimum, procedures for adequate independent review should be established, which include documenting when and what work was reviewed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits, compare supporting documentation to checks issued, and review bank statements and bank reconciliations.

- B. Some checks issued by the city were signed in advance. The City Clerk/Treasurer/Collector, Mayor and one of the board members are authorized to sign checks, with two signatures required on checks. The Mayor indicated they currently do not sign checks in advance; however, the city's checks currently do not have two signature lines and at least one check was processed by the bank with only one signature. The checks noted in MAR 1 did, at that time, have dual signature lines and a former alderman indicated he had signed these checks in advance. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended

by dual signatures. In addition, to reduce the risk of theft and loss the city should require dual signature lines on its checks.

- C. Receipt slips are not issued for some monies received. In addition, the receipt slips which are issued are not pre-numbered. The use of pre-numbered receipt slips, issued in numerical sequence, for all monies received, would provide better accountability over monies received. To help ensure collections are properly recorded and deposited, pre-numbered receipt slips should be issued for all monies received.
- D. Checks and money orders are not restrictively endorsed immediately upon receipt. Instead, they are endorsed when the deposit is made. To reduce the risk of loss or misuse of funds, checks, and money orders should be restrictively endorsed immediately upon receipt.
- E. The City does not maintain an adequate cash control ledger. Some receipts and disbursements were not posted to the ledger and it did not show the balance of the funds. To ensure receipts and disbursements are accounted for properly, all receipts and disbursements should be posted to the accounting records on a timely basis. The ledger should include the accumulated balance of the funds and be periodically reconciled to the bank balance.
- F. The City Clerk/Treasurer/Collector and the Mayor collect monies; however, they are not bonded. In addition none of the check signers are bonded. City ordinance number 18 indicates that the city collector is to give bond to the city in the sum of five thousand dollars. Failure to properly bond city officials exposes the city to an unnecessary risk of loss.

The City should base its bond coverage on the money an official has access to at any one time, the cost of increased bond coverage, and the level of risk the Board of Aldermen is willing to assume.

- G. The City has not entered into a formal written agreement with the city attorney defining the services to be rendered and compensation to be paid for the legal services. The city paid the city attorney \$250 per month during the fiscal year ended May 31, 2004.

Section 432.070, RSMo 2000, requires contracts for political subdivisions be in writing. The City should enter into written contracts for goods or services rendered or obtained. A written contract, signed by the parties involved, should specify the goods or services to be provided and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to both parties.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk, City Collector, and City Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established, which include documenting when and what work was reviewed.
- B. Discontinue the practice of signing checks in advance.
- C. Require pre-numbered receipt slips to be issued for all monies received.
- D. Require all checks and money orders to be restrictively endorsed immediately upon receipt.
- E. Ensure all receipts and disbursements are posted to the cash control record and the cash control record maintains an accumulated balance for the funds that is reconciled to the bank statement monthly.
- F. Obtain adequate bond coverage for all city officials with access to city funds.
- G. Enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated:*

- A. *They have been looking for someone to fill one of these positions, but cannot find anyone. They have begun reviewing and documenting their review of the City Clerk/Treasurer/Collector's work.*
- B. *They no longer sign checks in advance, and will obtain dual signature lines on their checks in the future.*
- C,D,  
E&F. *These recommendations will be implemented.*
- G. *The City has discontinued the use of an attorney, but will implement this recommendation if one is hired in the future.*

**3.****Expenditures**

The City used public monies on expenditures that did not appear to be reasonable and prudent and did not maintain adequate supporting documentation for some expenditures. In addition the board minutes do not indicate board approval of expenditures.

A. The City used public monies on the following expenditures that did not appear to be reasonable and prudent:

- In August 2003 the Board of Alderman authorized expenditures for a back to school party for the children. Approximately \$477 was spent on decorations, school supplies, prizes, food, and candy. The City Clerk indicated that about 25 children attended, which included children who were not residents of Bragg City. Furthermore the city paid approximately \$19 in taxes for the purchases, although the city is exempt from sales tax.
- In July 2004, the City held a fundraiser to start an outreach program. They planned to raffle off \$100 in cash. However the fundraiser did not raise enough money and the city used approximately \$33 of its monies to compensate the raffle winner.

These expenditures do not appear to be a prudent use of city funds. The Board should ensure city funds are spent only on items which are necessary and beneficial to city residents.

B. The City has no supporting documentation for approximately \$6,000 of expenditures made between June and November 2003. The Mayor indicated that these records had been destroyed. Of this \$6,000, \$3,580 was part of the missing monies noted in MAR 1, and canceled checks indicated approximately \$1,300 was for street repairs, and \$600 was for the mowing of city property and ditch cleaning. Additionally adequate supporting documentation was not maintained for some expenditures made since that date. For example, the Mayor hires individuals on a need only basis to perform general maintenance work for the city, i.e. mowing and spraying city property or cleaning out ditches. A check is prepared; however, there is no documentation to indicate the work performed and the amount to be paid for the work. In addition, the amount paid and the people chosen were selected only by the mayor and payments ranged from \$25 to \$90. All expenditures should be supported by vendor receipts or invoices to show that the expense was a reasonable and necessary use of public monies. Furthermore to ensure fair and equitable treatment, the Board of Alderman should establish an ordinance or enter into a contract which indicates the rate to be paid for general maintenance tasks.

C. The board minutes do not normally contain indication of board approval for expenditures, and the board does not normally review invoices before approval of

payment. To ensure all disbursements represent valid transactions of the city, the board should review all vendor invoices or designate an individual who does not prepare checks to review the invoices, agree the invoices to checks issued, and account for the numerical sequence of the checks. The review by the board should be documented in the minutes.

The lack of proper oversight or independent reviews over the disbursements have allowed the missing monies noted in MAR finding number 1 above to go undetected.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure that all expenditures are a reasonable and prudent use of public monies.
- B. Ensure all expenditures are supported by receipt slips or invoices to show that the expenses were reasonable and necessary. Furthermore establish an ordinance or enter into a contract, which indicates the amount to be paid for general maintenance work performed for the city.
- C. Ensure supporting documentation for all disbursements is reviewed by someone independent of the check preparation and signing duties. In addition, board approval for all expenditures should be documented.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated these recommendations will be implemented. Maintenance work will be bid in the future.*

<b>4. Property Tax Procedures</b>
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The City Collector does not prepare monthly or annual reports of tax collections and delinquent taxes, and pre-numbered tax bills are not issued.

- A. The City Collector does not prepare monthly or annual reports of tax collections and delinquent taxes. Sections 79.310, 94.320, and 94.330, RSMo 2000, require the city collector to prepare monthly and annual reports to the board of aldermen of the amount of taxes collected and to prepare annual lists of delinquent taxes including a detailed list of persons who have not paid. The board is to examine and approve the reports and charge the city collector to collect the amount of delinquent taxes due.

Detailed annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the City Collector, monthly collections, delinquent credits, abatements, and additions.

Without such a report, examined by the Board of Aldermen, any errors or irregularities that might occur are likely to go undetected.

- B. The City does not use pre-numbered tax bills. Upon collection of the taxes the City Clerk will mark the city's copy of the tax bill "paid" and note the date paid. To provide reasonable assurance that all tax bills have been accounted for, pre-numbered tax bills should be issued and the numerical sequence accounted for properly.

**WE RECOMMEND** the City Collector:

- A. Prepare and maintain detailed monthly and annual reports of taxes collected and delinquent taxes. In addition, the reports should be reviewed and approved by the Board of Aldermen.
- B. Ensure tax bills are pre-numbered.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated these recommendations have been implemented.*

<b>5. Financial Reporting</b>
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The City has not filed annual financial reports with the State Auditor's office since 1999, published semi-annual financial statements, or prepared annual budgets, as required by state law. In addition, the budget for fiscal year ended May 31, 2005 did not comply with state law.

- A. Annual financial reports have not been filed with the State Auditor's office since the fiscal year ended June 30, 1999. Section 105.145, RSMo 2000, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's office.
- B. The City has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 2000, requires the Board of Aldermen to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 2000, states the city cannot legally disburse funds until the financial statement is published.
- C. The City has not prepared and adopted annual budgets as required. Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

**WE RECOMMEND** the Board of Aldermen:

- A. Submit annual reports of financial transactions to the State Auditor's office as required by state law.
- B. Publish semi-annual financial statements as required by state law.
- C. Prepare an annual budget that contains all information required by state law to provide a complete financial plan for the city.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated these recommendations will be implemented.*

<b>6. Meetings, Minutes, and Ordinances</b>
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Numerous problems were noted with the city procedures for conducting and documenting board meetings, providing public access to records, and establishing and maintaining ordinance records.

- A. The board minutes are prepared by the City Clerk/Collector/Treasurer; however they are not signed by the Mayor, the Clerk, or any of the board members. The board minutes should be signed by the Clerk as the preparer, and the Mayor, or a designated member of the board, to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.
- B. A tentative agenda is not prepared and posted for each board meeting. According to Section 610.020 RSMo 2000 all public governmental bodies shall give notice of the time, date and place of each meeting, and its tentative agenda at least 24 hours prior to the commencement of the board meeting. To adequately inform the residents of the business to be discussed during the board meeting and ensure compliance with the Sunshine Law, a tentative agenda that summarizes the topics to be discussed during the meeting should be prepared and posted.



C. The board meeting minutes do not always include sufficient detail of matters discussed or actions and votes taken, such as documenting the discovery of a theft and board approval of appointed positions and expenditures.

- The minutes did not document the discussion or subsequent agreement regarding the theft of city monies, although they did document how the employee was to repay the city (see also MAR 1).
- The minutes did not indicate that the board voted to appoint several city officials, or when city officials resigned, or the city's attempts to fill vacancies in an elective or an appointed position. Furthermore, the minutes did not indicate the officials sworn in office after the April 2004 election.
- Minutes from the budget committee meetings were not taken and retained. To ensure compliance with open-meeting laws, minutes should be prepared for all meetings and be maintained and filed by the City Clerk.

Section 610.020, RSMo 2004, requires minutes of meetings be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes of the board's meetings are necessary to retain a record of the business conducted and to provide an official record of the board actions and decisions.

D. The board held one closed session meeting during our audit period. A review of the minutes of the closed meeting noted the following concerns:

- 1) The open session minutes did not document the vote to go into closed session and the specific reasons for closing the meeting.

Section 610.022, RSMo 2004, requires that before any meeting may be closed, the question of holding a closed meeting and the reason for the closed meeting shall be voted on at an open session.

- 2) Some items discussed and voted on by the Board of Aldermen in the closed session do not appear to be allowed under the provisions of the Sunshine Law. For example the board passed several ordinances, passed a motion to change the fiscal year, discussed the fee policy, and discussed appointing a budget committee.

Section 610.021, RSMo 2004, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The board should restrict the

discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- E. The City ordinances do not appear complete and up-to-date and there is no summary listing of ordinances passed and rescinded. The city has not adopted ordinances required by state law and/or needed to govern the city. In addition the city's ordinances are not codified. Codification of the city's ordinances would assist the city in keeping track of additions and changes made to the city's ordinances.

1) City ordinances appear old and outdated. For example:

- Three ordinances were not included in the current ordinance book. The city has replaced one of these missing ordinances with a current ordinance.
- The City based a recently adopted ordinance, regarding procedures for filling an elected position, on the language that existed prior to 1982 for Section 78.280 RSMo instead of current statute.
- One ordinance indicates that the fire chief is to be appointed by the Mayor; however the fire department is a separate entity and the fire chief is appointed by their board.

Since the ordinances represent the legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

2) The City has not adopted ordinances to address all issues required by state law, including current compensation of officials and employees, establishment of the property tax, approved tax levy for the year, and the procedures for collecting delinquent taxes.

Sections 79.270 through 79.320, RSMo 2000, require the duties powers, compensation, and terms of office of the city officials and employees be set by ordinance. Section 94.190.3 and 94.210, RSMo require the property tax rate be set annually by ordinance.

- F. The City has adopted a policy regarding public access to city records; however, it does not establish a contact person or an address for mailing requests. In addition, the policy states that the custodian may charge a fee for copying of \$1.00 per page, \$10.00 for the information to be put on a disk that is provided by the city, and \$5.00 for the information to be put on a disk that is provided by the requester, which does not comply with state law.

Section 610.026, RSMo 2004, indicates that the fees for copying public records shall not exceed ten cents per page for a paper copy not larger than nine by fourteen inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. The cost of copying information onto a disk shall only include staff time, which shall not exceed the average hourly rate of pay for staff of the public governmental body and if necessary the cost of the disk, tape, or other medium used for the duplication. This ordinance and policy should establish a person to contact and an address to mail requests for access to records.

In addition, Section 610.023, RSMo 2004, lists requirements of making city records available to the public.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure board minutes are properly signed, to attest to their accuracy.
- B. Ensure an agenda that summarizes the topics to be discussed during the board meeting be prepared and posted before each board meeting.
- C. Ensure complete and accurate minutes of the board's meetings are maintained; including all significant discussions, actions and votes taken, and information required by state law.
- D.1. Ensure the board minutes document the vote to go into closed session and state the reasons for going into closed session.
- 2. Ensure only allowable, specified subjects are discussed in closed session as required by state law.
- E. Ensure the city's ordinances are maintained in a complete and up-to-date manner and consider codifying the ordinances. New ordinances should be passed as needed and the board should ensure it operates in accordance with established ordinances.
- F. Ensure written policies and procedures regarding public access to and/or copies of city records are in compliance with state law.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated:*

*A&B. These recommendations have been implemented.*

*C,D,*

*E&F. These recommendations will be implemented.*

7.

### Payroll

The City does not properly report wages, withhold payroll taxes, or pay the employer's share of social security on compensation paid. Employees that receive payment for services include the City Clerk/Collector/Treasurer/Court Clerk, Municipal Judge, City Attorney, and the City Marshall. All other city employees have waived their right to a salary. City officials indicated that all salaried officials will receive a Form 1099 for 2004, except the Municipal Judge who will receive a W-2. The City withholds social security taxes from the Municipal Judge's monthly salary; however, these withholdings have not been transmitted to the proper authorities. The City Clerk/Collector/Treasurer/Court Clerk and the City Marshall appear to be employees and not independent contractors, thus the city should review IRS regulations to ensure they are in compliance.

The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 2000, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 2000, defines an appointive officer or employee of a political subdivision as an employee for social security tax purposes.

**WE RECOMMEND** the Board of Aldermen ensure payroll taxes are properly withheld and remitted for any wages or salaries paid. In addition, the board should ensure that the compensation paid to elected or appointive officials are properly reported.

### **AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated this recommendation will be implemented.*

8.

### Volunteer Fire Department

The relationship between the city and the Bragg City Volunteer Fire Department is not clear, and there is no written agreement stating the duties and responsibilities of each entity. The Bragg City Volunteer Fire Department registered as a not-for-profit agency on March 26, 2002. They provide fire protection to the citizens of Bragg City and the surrounding rural area. The fire department collects membership fees, and those who are not a member are charged a fee for services rendered. The city, in the past, provided a loan for the purchase of a fire truck, paid the department's insurance, and collected their membership fees. These agreements were not in writing to set out the duties and responsibilities of each entity. Furthermore, as discussed in MAR 6.E., the city's ordinances indicate that the fire chief is to be appointed by the city's mayor; however,

according to the Fire Chief, the volunteer fire department is governed by a board, who appoints the fire chief.

The present situation places the city and the volunteer fire department in the position of not knowing the relationship and corresponding requirements of each entity. The city needs to determine the relationship between the city and the fire department and may want to enter into a contract stating the duties and responsibilities of each entity.

**WE RECOMMEND** the Board of Alderman enter into a written agreement with the volunteer fire department stating the fire department's and the city's duties and responsibilities.

**AUDITEE'S RESPONSE**

*The Mayor, Board of Alderman, and City Clerk/Treasurer/Collector indicated the city and fire department are now totally separate entities. If this relationship changes in the future, they will enter into a written agreement.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

CITY OF BRAGG CITY, MISSOURI  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The city of Bragg City is located in Pemiscot County. The city was incorporated in 1919 and is currently a fourth class city. The population of the city in 2000 was 189.

The city government consists of a mayor and a four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended May 31, 2004, are identified below. The Mayor and the Board of Aldermen have elected not to receive compensation due to the financial condition of the city.

<u>Mayor and Board of Aldermen</u>	<u>Dates of Service During the Year Ended May 31, 2004</u>
Elda Davis, Mayor	June 2003 - May 2004
Daniel Lang, Alderman	June 2003 - May 2004
Michael Holdren, Alderman (1)	April 2004 - May 2004
Janie Marquis, Alderman	October 2003 - April 2004
Christina Blurton, Alderman	June 2003 - October 2003
Sheila Owens, Alderman (2)	October 2003 – May 2004
Denise Jones, Alderman	June 2003
Winkle Parker, Alderman (3)	June 2003 - May 2004

Other Principal Officials	Dates of Service During the Year Ended May 31, 2004	Compensation Paid for the Year Ended May 31, 2004
Christina Blurton, City Clerk/Treasurer/Collector (4)	October 2003 - May 2004	\$ 0
Christi Kincade, City Clerk/Treasurer/Collector	June 2003 - October 2003	320 *
Christina Blurton, Court Clerk (4)	April 2004 - May 2004	0
Cheryl Crafton, Court Clerk (4)	March 2004 - April 2004	0
Cameron Parker, City Attorney	June 2003 - May 2004	3,000
Jacqueline Barnes, Municipal Judge	March 2004 - May 2004	250
Freddie Parker, Code Enforcer (4) (5)	February 2004 - July 2004	0
Glen Troughber, Jr., City Marshall (6)	May 2004	170

\* This represents the amount which should have been paid during the time period. The checks issued did not clearly indicate the payroll amounts.

- (1) Re-elected in April 2005.
- (2) Cecil Lyell was elected to this position in April 2005.
- (3) Mr. Parker resigned from this position in April 2005, a replacement has not been appointed.
- (4) Elected not to receive any compensation.
- (5) Charles Hindmon was appointed Code Enforcer in July 2004.
- (6) Glen Troughber Jr. resigned in June 2004 and has not been replaced.

Assessed valuations and tax rates for 2003 were as follows:

#### ASSESSED VALUATIONS

Real estate	\$ 243,470
Personal property	177,559
Railroad and utility	93,028
Total	<u>\$ 514,057</u>

#### TAX RATE(S) PER \$100 ASSESSED VALUATION

	Rate
General Fund	<u>\$ 0.5000</u>



A summary of the city's financial activity for the year ended May 31, 2004, is presented below.

	General Fund	Maintenance Fund	Total
RECEIPTS			
Property taxes	\$ 1,412	0	1,412
Utility franchise taxes	4,016	0	4,016
Motor fuel and motor vehicle taxes	0	7,802	7,802
Rent	3,000	0	3,000
Unidentified receipts	34	0	34
Repayment of missing monies	0	1,900	1,900
Total Receipts	<u>8,462</u>	<u>9,702</u>	<u>18,164</u>
DISBURSEMENTS			
Salaries	3,715	0	3,715
Supplies	631	0	631
Equipment	1,015	0	1,015
Grounds keeping	627	0	627
Election services	160	0	160
Water (for rental property)	43	0	43
Street lights	0	2,620	2,620
Street maintenance and repairs	0	1,827	1,827
Fire department	375	0	375
Other	632	5	637
Unidentified disbursements	550	3,030	3,580
Total Disbursements	<u>7,748</u>	<u>7,482</u>	<u>15,230</u>
Receipts Over (Under) Disbursements	714	2,220	2,934
Cash Balance, June 1	<u>3,712</u>	<u>9,276</u>	<u>12,988</u>
Cash Balance, May 31	<u>\$ 4,426</u>	<u>11,496</u>	<u>15,922</u>